

## R+V Versicherung AG

**Primary Credit Analyst:**

Silke Sacha, Frankfurt + 49 693 399 9195; silke.sacha@spglobal.com

**Secondary Contact:**

Johannes Bender, Frankfurt + 49 693 399 9196; johannes.bender@spglobal.com

**Research Contributor:**

Kalyani Joshi, CRISIL Global Analytical Center, an S&P affiliate, Mumbai

### Table Of Contents

---

Credit Highlights

Outlook

Key Assumptions

Business Risk Profile

Financial Risk Profile

Other Key Credit Considerations

Related Criteria

# R+V Versicherung AG

## Credit Highlights

Operating Company Covered  
By This Report

Financial Strength Rating

Local Currency

AA-/Negative/--

### Overview

Strengths	Risks
A very successful bancassurance business model integrated into Germany's large cooperative banking sector.	Strain on profitability from COVID-19-related claims, both in primary and reinsurance business, because R+V is exposed to event cancellation, business interruption, and credit insurance.
One of the largest insurance groups in Germany, with a diversified source of revenue and earnings from property/casualty (P/C), life, and health insurance, as well as global reinsurance.	Potential capital and earnings volatility stemming from above-average equity exposure within the asset allocation.
Strong market credentials based on its presence in the German retail and small and midsize enterprise (SME) segments, as well as growing international diversification via its global reinsurance portfolio.	

**R+V Versicherung AG (RVV) continues to be integral to the DZ Bank.** R+V Group is the largest insurance provider for Germany's large cooperative banking sector. The insurance group complements the sector's full financial services offering by distributing P/C, life, and health insurance products to the cooperative banks' customers. The ratings on RVV reflect our view of its intrinsic role as the operating holding and reinsurance company of R+V Group, which, in our view, is a core business of its majority shareholder and central bank of the German cooperative sector, DZ BANK AG Deutsche Zentral-Genossenschaftsbank (AA-/Negative/A-1+). R+V's core status is further supported by its strategic role within the sector and its commission-generating capacity, cost-sharing function, and comprehensive integration in risk management. In addition, KRAVAG-LOGISTIC Versicherungs AG (KLog) remains a core entity of R+V Group.

**Our analysis on R+V Group reflects its well-established position in the German insurance market, backed by its successful bancassurance business model.** R+V Group again outperformed its peers in terms of business growth with an 11% increase in premiums in 2020 (German market grew at 1.2%). The group targets the same retail and SME markets as the cooperative banks to drive its business growth. We believe R+V Group benefits from its extensive distribution network and strong competitive presence in all segments.

Despite the pandemic-led weaker economic environment and missed sales opportunities, R+V Group reported strong premium growth in all of its business lines. This underscores its strong market position and sophisticated multichannel distribution strategy in German primary insurance and global reinsurance. Over 2021-2022 we expect premiums to rise by 3%-5%.

**We forecast R+V Group will maintain its 'A' level risk-based capital over 2020-2022.** We base our assumption on R+V Group's historical strong earnings generation, and parental support if needed. Nonetheless, we believe R+V Group's earnings and capital remains pressured by the low-interest rate environment and further potential pandemic-related losses, in line with peers.

## Outlook

The negative outlook on RVV and its subsidiary KLog reflects that on DZ BANK AG and Germany's cooperative banking sector. We expect both entities will remain integral to DZ BANK AG, given their role and contributions to the cooperative sector's business strategy. The ratings on RVV and KLog consequently move in tandem with those on the core subsidiaries of the cooperative banking sector.

Our negative outlook on the core group members of Germany's cooperative banking sector reflects the potential that increasing economic and industry risk will likely put additional pressure on the sector's risk exposures and risk-adjusted profitability in the medium term. The negative outlook indicates that we could lower our ratings within the next 12-24 months.

### Downside scenario

We could lower the ratings on RVV and KLog if the credit standing of the cooperative banking sector's core members deteriorates. This could happen if we revised down our anchor for German banks to 'bbb+' from 'a-', or if the sector's market position and its ability to cover normalized credit losses weakened, its aggregate risk-adjusted capital (RAC) ratio declined to less than 10%, the sector shifted into riskier areas, or underwriting quality loosened. We could also lower the ratings on RVV or KLog over the next 24 months if their credit profiles deteriorated, such that we questioned their intrinsic role in the cooperative sector.

### Upside scenario

We could revise the outlook on the cooperative banking sector's core members to stable over the next 24 months if we observed stable economic and industry risk trends for the German banking industry. Moreover, we may revise the outlooks to stable if the sector's business model and risk profile remain robust, and the sector displays much higher resilience to a weakening economic cycle than other German banks or similarly rated international peers. We also believe the successful execution of a more holistic strategy and material progress in addressing structural weaknesses, such as cost efficiency and below-average market positions in corporate and private banking, remain pivotal.

## Key Assumptions

- Germany GDP declined by 5.2% in 2020 and is expected to rebound to 3.2% growth in 2021 and 3.7% in 2022.
- 10-year government bond yields in Germany to remain negative at about -0.4% in 2021, and -0.2% in 2022.

## Business Risk Profile

In our view, R+V Group's business profile benefits from its strong position among the three top multiline insurers in Germany (market share of about 7%), supported by its unique bancassurance model offering a broad portfolio of life and health, P/C, and reinsurance products to the open market and cooperative banks' customers.

In our opinion, the group's affiliation with the cooperative banking sector and its position in the German retail and SME target market remain its key strengths.

Through R+V Group's main risk carriers, R+V Lebensversicherung AG and R+V Allgemeine Versicherung AG (neither is rated), the group generated strong premium growth in all segments. Its dominant primary insurance business witnessed premium growth of about 9% in 2020. R+V Group's global third-party reinsurance generated premium income of €3.11 billion in 2020, which corresponds to an increase of about 10% from the €2.83 billion in 2019. Based on our forecast, we expect the business composition to remain almost stable, with a slight shift toward non-life.

In our view, the group's improved business diversification stems from its expanding reinsurance segment, which constitutes around 16% of total gross premiums in 2020 compared to 11% in 2011. The group has organically established itself among the top 20 global reinsurers. The reinsurance portfolio is well spread (Europe 61%, North America 12%, Asia Pacific and Middle East 11%, Latin America 4%, South Africa 8%, other 4%) and it benefits from a low cost base compared with peers.

In line with R+V Group's implemented "Growth Through Change" strategy, the group aims to achieve approximately €20 billion of premium income by 2022, which would equate to about 6% annual growth before factoring in the COVID-19 outbreak. It also plans to strengthen its exclusive partnership with the cooperative banking sector. To achieve this, R+V Group is investing in digitalization and developing an environment that will meet customers' increasing digital needs. We expect the group's premiums to increase by about 3%-5% annually in 2021 and 2022.

## Financial Risk Profile

We anticipate R+V Group's capital position will remain robust, with capital adequacy at the 'A' level in 2020-2022 supported by the group's ability to build capitalization, its well-balanced investment strategy, and overall favorable risk-capital management. R+V Group reported lower net income of €156 million majorly impacted by COVID-19 compared with the five-year average of €504 million for 2015-2019.

R+V Group has successfully operated under its primary insurance business model for several years. We see this in its continuous above-market-average growth and buildup of retained earnings, and consequent risk-capital growth. However, we believe that R+V Group's growth strategy could constrain its ability to build capitalization in line with its growth ambitions in the long term. In the medium term, we anticipate its increasing capital requirements will be largely matched by a buildup of internal capital buffers, supported by a strong five-year average return on equity (ROE) of 8%, and by a balanced profit transfer and capital re-injection strategy with parent DZ BANK AG.

In 2020, R+V Group generated lower earnings, majorly due to COVID-19-related insurance claims and particularly in its reinsurance segment, somewhat offset by lower motor claims and favorable investment returns subsequent to recovery in financial markets at the end of 2020. For 2021-2022, we expect ROE of 6%-8%, based on our forecast of a sustainable recovery in R+V Group's business development and consequently for its capital and earnings. R+V Group already accounts for its assets under International Financial Reporting Standard (IFRS) 9, and so we see a greater effect on its combined (profit-and-loss) ratio due to fair value assessment, versus insurers who still apply International Accounting Standard 39 or local generally accepted accounting practices to their investments.

R+V Group's primary P/C insurance business delivered a relatively strong combined ratio of around 96.7% in 2020 including strong expected premium growth of 4.3%. The lower claims were mainly driven by lower claims in motor insurance, in line with the German P/C insurance market. We expect the underwriting performance to normalize with combined ratios of 98%-100% for 2021-2022.

R+V Group's reinsurance business experienced weaker technical results due to higher COVID-19-related claims, such as event cancellations and business interruptions, including a strong build-up of IBNR (incurred-but-not-reported) events, which led to a higher combined ratio of 107.8% in 2020. However, we expect an improvement in 2021-2022, assuming an overall normalization of COVID-19-related claims, large losses, and natural catastrophes. Although the expansion in the reinsurance segment in recent years enhances R+V Group's global diversification, in our opinion, as a consequence it adds pressure on the group's capitalization. Therefore, we believe R+V Group's reinsurance business creates an additional source of volatility for the group's capital and earnings and any extraordinary accelerated expansion in this business could change our view of the group's financial risk profile.

In our view, R+V Group's life insurance segment not only benefits from a lower overall risk profile but also displays a relatively favorable performance and cost effectiveness through the life insurance operation's scale effects, compared with peers in the German market. We note a lower overall risk profile than local peers', in particular thanks to the lower average guarantee commitments following strong business growth in recent years. That said, low yields continue to weigh on life results.

R+V Group follows a well-balanced investment strategy with fixed income investments retaining an average credit quality of 'AA'. However, R+V Group has higher-than-market-average equity exposure and has moderately increased its investments in property and infrastructure, which could increase the risk profile of the overall asset allocation. Nevertheless, we expect R+V Group's robust capital should help absorb elevated financial market risk over the long term.

## Other Key Credit Considerations

### Governance

R+V Group has a comprehensive strategic planning framework. The company also has a highly experienced management team, which in our opinion complements its operational needs. R+V Group has demonstrated a clear path, focusing on its key areas, and has successfully implemented strategic initiatives, particularly in terms of maintaining its leading market position in the German insurance market and generating sustainable business growth in the reinsurance segment.

### Liquidity

We continue to assess R+V Group's liquidity as exceptional. Also, we do not foresee any refinancing concerns, given the group's debt-free balance sheet. We believe R+V Group would be well covered even under stress scenarios.

### Group support

We consider R+V Group to be core to DZ BANK AG and the German cooperative banking sector, based on its integral role in the sector's strategy. R+V Group operates successfully under its bancassurance business model and generates

sizable commission and fee income for the cooperative banks, strengthening and diversifying its overall earnings.

RVV has an intrinsic role as the operating holding and reinsurance company of R+V Group. We equalize our rating on RVV with those on the core operating subsidiaries of DZ BANK AG because of RVV's earnings-generation capacity from reinsurance activities and its debt-free balance sheet.

We continue to regard KLog as a core entity because it is the insurance group's dedicated carrier for its business relations with the German road haulage segment, which is dominated by cooperatives. KLog is fully integrated into R+V Group, which also employs KLog's staff and handles all of its operational functions.

## Related Criteria

- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Criteria | Financial Institutions | Banks: Assessing Bank Branch Creditworthiness, Oct. 14, 2013
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

### Ratings Detail (As Of May 11, 2021)\*

#### Operating Company Covered By This Report

##### R+V Versicherung AG

Financial Strength Rating

*Local Currency*

AA-/Negative/--

Issuer Credit Rating

*Local Currency*

AA-/Negative/--

**Domicile**

Germany

\*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.



Copyright © 2021 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.